

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,	)	
regarding regulatory reviews, revisions,	)	
determinations, and/or approvals necessary for	)	Case No. U-18022
<b>INDIANA MICHIGAN POWER COMPANY</b>	)	
to fully comply with Public Act 295 of 2008.	)	
_____	)	

At the November 22, 2016 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman  
Hon. Norman J. Saari, Commissioner  
Hon. Rachael A. Eubanks, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On May 2, 2016, Indiana Michigan Power Company (I&M) filed an application, with supporting testimony and exhibits, requesting approval of its energy optimization (EO) annual report, reconciliation of its EO revenues and expenses for 2015, authorization of revised EO surcharges, and approval of a 2015 EO plan incentive award, all pursuant to the requirements of 2008 PA 295, MCL 460.1001 *et seq.*.

A prehearing conference was held on June 14, 2016, before Administrative Law Judge Martin D. Snider. I&M and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement.

According to the terms of the settlement agreement, the parties recommend approval of I&M's application and further agree that: (1) I&M has complied with 2008 PA 295 (Act 295) and that its

reconciliation and annual report should be approved; (2) I&M's reconciliation of the EO costs and revenues for the year ended December 31, 2015, results in a net overrecovery of \$600,905, and the company should be authorized to carry forward the net overrecovered balance as the beginning balance for the 2016 reconciliation; (3) based on the overrecovery for 2015, and the projection of sales through 2016, the proposed revised EO surcharges through December 31, 2016 (or continuing until replacement surcharges are approved) as set forth in Attachment 1 to the settlement agreement should be approved; (4) I&M's 2015 EO plan met the goals and objectives for the approved performance incentive; therefore, the Commission should authorize the company to collect \$759,727 as its 2015 EO financial incentive award in accordance with I&M's rate design and collection method and period; and (5) I&M continues to defer as a regulatory asset the carrying cost, depreciation expense and ongoing incremental O&M costs associated with the Electric Energy Consumption Optimization (EECO) program capital expenditures for recovery in I&M's next base rate proceeding in accordance with the Commission's December 19, 2013 order in Case No. U-17353. The parties agree that the Commission should approve I&M's deferred regulatory asset balance for the EECO program of \$109,467 as of December 31, 2015.

After review of the settlement agreement, the Commission finds it is reasonable, in the public interest and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. The reconciliation of 2015 energy optimization revenues and costs is approved, and the resulting net overrecovery of \$600,905 shall be reflected as the beginning balance for the 2016 energy optimization reconciliation.

C. Indiana Michigan Power Company is authorized to collect \$759,727 as its 2015 energy optimization performance incentive award.

D. The proposed revised energy optimization surcharges shown in Attachment 1 to the settlement agreement are approved.

E. Indiana Michigan Power Company's deferred regulatory asset balance for the Electric Energy Consumption Optimization program of \$109,467 as of December 31, 2015 is approved.

F. Indiana Michigan Power Company shall file with the Commission, within 30 days of this order, a tariff sheet substantially similar to those contained in Attachment 1 to the settlement agreement.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at [mpscdockets@michigan.gov](mailto:mpscdockets@michigan.gov) and to the Michigan Department of the Attorney General - Public Service Division at [pungpl@michigan.gov](mailto:pungpl@michigan.gov). In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

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Sally A. Talberg, Chairman

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Norman J. Saari, Commissioner

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Rachael A. Eubanks, Commissioner

By its action of November 22, 2016.

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Kavita Kale, Executive Secretary

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,,  
regarding the regulatory reviews, revisions,  
determinations, and/or approvals necessary for  
**INDIANA MICHIGAN POWER COMPANY**  
to fully comply with Public Act 295 of 2008.

Case No. U-18022

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**SETTLEMENT AGREEMENT**

Pursuant to MCL 24.278 and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission ("Commission"), R 792.10431, Indiana Michigan Power Company ("I&M") and the Commission Staff ("Staff") agree and stipulate as follows:

1. On May 2, 2016, I&M filed its Energy Optimization reconciliation application, including its annual report for 2015 and supporting direct case.

2. In its direct case, I&M represented that, for the 12-month period ending December 31, 2015, its implementation of its Energy Optimization ("EO") plan, as approved by the Commission in Case No. U-17353, resulted in an over-recovery of \$52,247 (including carrying charges). I&M also represented that adding this amount to the cumulative over-recovery for the period ending December 31, 2014 of \$548,658 (including carrying charges), results in a net over-recovery of \$600,905 (including carrying charges). In addition, I&M requested recovery of a financial incentive performance award of \$759,727. I&M also requested approval of I&M's deferred regulatory asset balance of \$109,467 as of December 31, 2015, which is associated with the Electric Energy Consumption Optimization ("EECO") program. Finally, I&M proposed to

update its EO Surcharges, excluding any component to recover Certified Net Lost Revenues (NLR).

3. On May 17, 2016, the Commission's Executive Secretary issued the Notice of Hearing in this proceeding directing I&M to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships and counties in its Michigan electric service area, and to intervenors in Case Nos. U-16739, U-17283, U-17353 and U-17603. Furthermore, I&M was directed to publish the Notice of Hearing in daily newspapers of general circulation throughout its Michigan electric service area. I&M electronically filed its affidavit of mailing and proof of publication.

4. On June 14, 2016, Administrative Law Judge Martin D. Snider conducted the prehearing conference. I&M and Staff attended the prehearing conference. I&M electronically filed its proofs of service and affidavits of publication complying with the directives of the Executive Secretary. There were no intervenors.

5. Subsequently, the parties participated in settlement discussions and agree as follows:

- a. Based on its filing, I&M has complied with 2008 PA 295 and its EO reconciliation and annual report should be approved.
- b. I&M's reconciliation of the EO costs and revenues for the year ended December 31, 2015 resulted in a net over-recovery of \$600,905. I&M should be authorized to carry forward the net over-recovery balance as the beginning balance for the 2016 reconciliation.
- c. The Company's testimony and exhibits demonstrate that I&M implemented its EO plan during 2015 and met the goals and objectives to earn the approved performance incentive. Accordingly, I&M should also

be authorized to collect revenue for the financial incentive performance award of \$759,727 for the period ending December 31, 2015. For administrative simplicity, the parties agree that I&M should be authorized to roll into the EO surcharges the volumetric surcharge related to the incentive award.

- d. The Commission should approve I&M's deferred regulatory asset balance for the EECO program of \$109,467 as of December 31, 2015.
- e. Based on the over-recovery and the financial incentive performance award, the Commission should approve revised EO surcharges as set forth in Attachment 1 to this Settlement Agreement.
- f. In regard to the issues involving I&M's requests in this case for recovery of NLR, the parties acknowledge two appeals involving the Commission's treatment of NLR are pending before the Michigan Court of Appeals in docket numbers 326405 and 327716. The parties agree that the Court of Appeals' decisions in these dockets, subsequent Michigan Supreme Court decisions, and Commission decisions on remand (assuming a higher court remands the case to the Commission for further action) should control the treatment and application of I&M's request in this case. If, after all appeals and remands are finished, I&M is permitted to earn and collect Net Lost Revenue, Staff reserves the right to file a motion to reopen this proceeding for the limited purpose of auditing I&M's unearned and uncollected Net Lost Revenues from 2015 (if there are any not covered in Case No. U-17756) and conducting a contested-case proceeding on this issue if necessary.

6. All the parties are of the opinion that this Settlement Agreement is reasonable, in the public interest, consistent with 2008 PA 295 and will aid in the expeditious conclusion of this case only.

7. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the parties and resolves issues expressly addressed in this case only. All offers of settlement and discussions relating to this settlement are considered privileged under Michigan Rules of Evidence, Rule 408. If the Commission approves this Settlement Agreement without modification, neither the parties to the Settlement Agreement nor the Commission shall make any reference to, or use this Settlement Agreement or the order approving it, as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other case or proceeding; however, such reference may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

8. The parties further agree that any order approving this Settlement Agreement shall not establish precedent for future proceedings. This Settlement Agreement is based on the facts and circumstances of this case and is intended as the final disposition of Case No. U-18022. If the Commission approves this Settlement Agreement, without modification, the undersigned parties agree not to appeal, challenge or otherwise contest the Commission order approving this Settlement Agreement.

9. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of this Settlement Agreement, this Settlement Agreement shall be deemed to be



withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation positions of any party.

10. The parties agree to waive §81 of the Administrative Procedures Act of 1969, as amended, MCL 24.281, as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.

INDIANA MICHIGAN POWER COMPANY

Dated: October 31, 2016

By: **Richard J. Aaron**  
Richard J. Aaron (P35605)  
201 Townsend Street, Suite 900  
Lansing, MI 48933  
(517) 374-9198

Digitally signed by: Richard J. Aaron  
DN: CN = Richard J. Aaron email = raaron@dykema.com C = US O = Dykema Gossett PLLC  
Date: 2016.10.31 14:08:53 -05'00'

MICHIGAN PUBLIC SERVICE  
COMMISSION STAFF

Dated: October \_\_\_\_, 2016

By: **Spencer Sattler**  
Spencer A. Sattler (P70524)  
Assistant Attorney General  
7109 W. Saginaw, 3<sup>rd</sup> Floor  
Lansing, MI 48917  
(517) 284-8140

Digitally signed by Spencer Sattler  
DN: cn=Spencer Sattler, o=Michigan Department of Attorney General, ou=Public Service Division, email=sattlers@michigan.gov, c=US  
Date: 2016.11.01 09:19:37 -04'00'

**M.P.S.C. 15- ELECTRIC  
INDIANA MICHIGAN POWER COMPANY  
STATE OF MICHIGAN  
(EO PLAN FILINGU-18022)**

**SEVENTH REVISED SHEET NO. D-112.00  
CANCELS SIXTH REVISED SHEET NO. D-112.00**

**SURCHARGE RIDER EO  
(ENERGY OPTIMIZATION SURCHARGE RIDER)**

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Energy Optimization surcharges allow for the recovery of costs of implementing and conducting an approved energy optimization plan.

Energy Optimization surcharges shall be revised annually in accordance with Sections 89(3) and 89(7) of 2008 PA 295.

All customer bills subject to the provisions of this rider, including any bills rendered under special contract, shall be adjusted by the Energy Optimization Surcharge Rider per kWh or Customer as follows:

Tariff	¢/kWh	\$/Customer/Mo.
RS, RS-TOD, RS-TOD2, RS-OPES/PEV, and RS-SC	0.203	
SGS, SGS-TOD2		6.52
SGS (UNMETERED)	0.124	
MGS and MGS-TOD		6.52
LGS		526.13
LP		526.13
MS		6.52
WSS		6.52
CS-IRP		526.13
RTP		526.13
EHS		6.52
EHG		6.52
IS		6.52
OSL (UNMETERED)	0.124	
SLS, SLC AND ECLS (UNMETERED)	0.124	
SLCM		6.52

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**ISSUED  
BY PAUL CHODAK III  
PRESIDENT  
FORT WAYNE, INDIANA**

**EFFECTIVE FOR BILLS RENDERED BEGINNING  
WITH THE BILLING MONTH OF**

**ISSUED UNDER AUTHORITY OF THE  
MICHIGAN PUBLIC SERVICE COMMISSION  
DATED  
IN CASE NO. U-18022**